SASKATCHEWAN GOVERNMENT

SUBMISSION TO THE

RAILWAY TRANSPORT COMMISSION

HEARING INTO PROPOSED

LOWER GRAIN RATES

CANADIAN TRANSPORT COMMISSION

RAILWAY TRANSPORT COMMITTEE

IN THE MATTER OF:	Section 45(2) and Section 47 of the Western Grain Transportation Act
AND IN THE MATTER OF:	Public Hearings Into Proposed Lower Rates by Canadian National Railway Company, Cargill Grain Company and Northern Sales Company Limited for the 1985-86 Crop Year.
BETWEEN:	SASKATCHEWAN GOVERNMENT - and - CANADIAN NATIONAL RAILWAY COMPANY et al

A. Commission Opinion Pursuant to Section 45(2) of the Western Grain Transportation Act

1. The Saskatchewan government herein submits its views on the matter of the determination of an opinion by the Canadian Transport Commission with resepct to Section 45(2) of the Western Grain Transportation Act.

2. Section 45(2) states that lower rates will not be allowed before the 1986-87 crop year except under one condition. That condition is an opinion of the Commission that a lower rate prior to the 1986-87 crop year would encourage and reflect efficiencies gained from the loading or unloading of railway cars on weekends or the transportation of grain by rail during seasons other than peak season.

3. Section 45(2) of the Act specifies weekend loadings or unloadings or shipments in non-peak season. CN's conditions for selective rate reductions specify multiple car loadings, commodity type, minimum loadings per car by commodity type, a commitment of a minimum number of shipments within specified periods, a notional penalty to be applied to the shipper if they fail to meet their commitment, effective dates which include peak seasons and exclude non-peak seasons, application to only selected origins and destinations.

4. Saskatchewan submits that the applicants have not met the conditions precedent as set out in Section 45(2) of the Act. Rather, CN has, with concurrence of Cargill and Northern Sales, developed a special arrangement tariff which encompases the various conditions described in point 3. above which conditions are not specified in Section 45(2) of the Act.

5. Saskatchewan submits that the conditions prescribed by CN for their proposed selective rate reductions may not encourage and reflect efficiencies contemplated by Section 45(2) of the Act for the following reasons:

   (a) CN has provided no explanation of the efficiencies to be generated by 20, 40 and 100 car spots;
   (b) the application of rate reductions for non-Board grains could discourage the efficient transportation of Board grains;
   (c) the minimum weight requirement per car is not related to weekend loading but to main line origins which effectively eliminates the applicability of the proposed lower rates to branch line origins;
   (d) the minimum number of shipments commitment is not related to any efficiencies gained from weekend loading or unloading or non-peak seasons;
   (e) the notional penalty provision to be exercised by CN for shippers' failure to meet commitment was never contemplated not intended by the provisions within Section 45(2);
   (f) the peak seasons requirement is contrary to the non-peak seasons provision within Section 45(2).

6. Saskatchean submits that Section 45(2) of the Act contemplates that the opinion of the Commission with respect to the concept of efficiencies gained from the loading and unloading of railway cars on weekends or the transportation of grain by rail during seasons other than peak seasons embraces and reflects the primary mandate of the Act which is to improve the capacity and efficiency of the grain transportation, handling and shipping system <u>for the purpose of maximizing returns to producers</u> (emphasis added).

7. Saskatchewan further submits that the primary mandate of the Act does not give instruction to maximize returns to selected producers/shippers but to all producers/shippers.

8. With respect to Section 45(2) of the Act Saskatchewan hereby applies:

   (a) For an opinion by the Commission that the selective grain rate reductions proposed by CN Rail, Northern Sales Company Limited and Cargill Grain Limited do not encourage and reflect efficiencies gained from the loading and unloading of railway cars on weekends or the transportation of grain by rail during seasons other than peak seasons.

   (b) For an order by the Commission disallowing the lower grain rates proposed by CN Rail, Northern Sales Company Limited and Cargill Grain Limited.

   (c) Should the Commission allow the proposed grain rate reductions in whole or in part, Saskatchewan asks for an Order which extends the rate reductions to all commodities in Schedule I of the Act, from all origins to all destinations without regard to any conditions other than those contemplated and expressed in Section 45(2) of the Act which are weekend loadings or unloadings or shipments in non-peak season.

B. Saskatchewan Appeal Pursuant to Section 47 of the Western Grain Transportation Act

9. Saskatchewan is known as a grain producer. We have a resource mix that gives us a comparative advantage regarding grain production. We have 48.6 million acres of cultivated land or 43% of the Canadian total. We have 67,000 skilled farmers, 51,000 of whom are engaged in grain production with $25 billion invested in grain production, or 48% of Canadian grain farmers and 44% of Canadian investment in grain production. (These figures are taken from the 1981 Census of Agriculture.)

10. We produce 18.5 million tonnes of grain or 45% of the five year average Canadian total. We market 16.2 million tonnes of grain or 52% of the Canadian five year average total. Canadian grain exports amounted to $5.8 billion in 1983 and Saskatchewan's share was $2.9 billion or 50%. (These figures are from Statistics Canada publications and Canadian Grain Commission publications.)

11. The Saskatchewan government has reason to believe that the public interest of the province would be adversely affected if the application of CN Rail, Northern Sales Company Limited and Cargill Grain Limited for lower rates was to be granted in its present form.

12. The Saskatchewan government maintains that Commission approval of the application for lower grain rates according to the conditions precedent contained in that application including the lower rates being made available only at Saskatoon and North Battleford:

    (a) creates an unfair disadvantage for those other Saskatchewan shippers who can meet the conditions of Section 45(2) of the Western Grain Transportation Act;

(b) creates an undue obstacle to the interchange of grain between points in Saskatchewan not receiving the proposed lower grain rates and the destination points for Saskatchewan grain;

(c) creates an unreasonable discouragement to the development of Saskatchewan's primary agricultural industry because the proposed lower grain rates are applicable only to specified non-Board grains which could deter the production of Board grains;

(d) creates an unreasonable discouragement to the development of Saskatchewan's secondary agricultural industry at locations other than Saskatoon and North Battleford;

(e) creates an unreasonable discouragement to the grain export trade from other points in Saskatchewan and to the movement of grain from other points in Saskatchewan through Canadian ports. As more grain cars, including the 1,000 Saskatchewan Grain Car Corporation cars, will be allocated to Saskatoon and North Battleford, fewer cars will be available to be allocated to other shipping points in Saskatchewan.

13. Saskatchewan submits that there are other considerations which appear to be relevant to the conduct of the Commission's investigation under Section 23 of the National Transportation Act.

These considerations embrace who enjoys the benefits from the proposed grain rate reductions and who suffers the costs.

14. Saskatchewan maintains that those benefiting and their benefits are:

(a) CN Rail by adopting the operating practice of 20, 40 and 100 car spots will reduce their cost of operations;

(b) CN Rail will gain effective control over the location of grain shipping points in the geographic areas tributary to Saskatoon and North Battleford;

(c) Northern Sales Company Limited and Cargill Grain Ltd. as shippers receive a $1.50, $1.75 and $3.00 per tonne reduction in grain rates for shipping 20, 40 and 100 cars respectively;

(d) farmers accessing Saskatoon or North Battleford will receive some unstated portion of the reduction in grain rate.

15. Saskatchewan maintains that those incurring additional costs and their costs are:

(a) increased pressure will occur for closure of rail branch lines and the grain handling facilities located thereon in proximity to Saskatoon and North Battleford due to redistribution of grain to Saskatoon or North Battleford;

(b) loss in the value of the public's investment in the rehabilitated branch lines in the proximity of Saskatoon and North Battleford;

(c) grain diverted from delivery points in proximity to Saskatoon and North Battleford will create an additional cost burden on municipal and provincial road authorities. In effect a transfer of responsibilities for transport costs from CN Rail to Saskatchewan;

(d) farmers who change their delivery pattern and access Saskatoon or North Battleford will incur increased trucking costs;

(e) farmers who are unable to access Saskatoon or North Battleford will experience lower farmgate prices;

(f) lower returns available to those unable to access Saskatoon or North Battlford will create a reduction in the value of their farmland used for grain production;

(g) reduction in the value of investment in country elevator facilities located in proximity to Saskatoon and North Battleford;

(h) shipper/grain companies located in proximity to Saskatoon and North Battleford will experience increased costs of operation for weekend opening to compete with Saskatoon or North Battleford;

(i) reduction in the value of farmland and country elevator facilities in proximity of Saskatoon and North Battleford will result in the reduction in the rural municipal tax base and the associated degradation of rural services;

(j) loss of sales by and loss in value of investment held by the merchants in rural centres in proximity to Saskatoon and North Battleford.

16. Saskatchewan submits that the Commission must consider the public interest set out in Section 23(1), (2) and (3) of the National Transportation Act in view of the primary mandate of the Western Grain Transportation Act which is to improve the capacity and efficiency of the grain transportation, handling and shipping system for the purpose of maximizing returns to producers (emphasis added).

17. The Saskatchewan government supports efforts to create efficiency, productivity, innovation and cost savings in the grain handling and transportation system.

18. The Saskatchewan government maintains that the benefits which arise from increases in efficiency, productivity, innovation and cost savings must be shared by all the participants in the system especially the grain producers. These participants also include the provincial and municipal governments who bear the cost burden for reallocated and/or increased grain traffic on their road system.

19. The Saskatchewan government maintains that if reduced grain rates are to be allowed by the Commission then they should only be allowed if extended to all grains and to all open grain shipping points in the system. This action will ensure that the benefits are enjoyed by all producers and that transport costs are not transferred to municipal and provincial road authorities.

20. With respect to Section 47 of the Western Grain Transportation Act Saskatchewan hereby applies:

    (a) For an Order by the Commission disallowing the lower grain rates proposed by CN Rail, Northern Sales Company Limited and Cargill Grain Limited;

    (b) Should the Commission allow the proposed grain rate reductions in whole or in part, Saskatchewan asks for an Order which extends the rate reductions to all commodities in Schedule I of the Western Grain Transportation Act, from all origins to all destinations without regard to any conditions other than those contemplated and expressed in Section 45(2) of the Western Grain Transportation Act which are weekend loadings or unloadings or shipments in non-peak seasons.

21. All of which is respectivefully submitted the 11th day of March, 1985.

Hon. Eric Bernston, Minister of Economic Development and Trade
Hon. James W. Garner, Minister of Highways and Transportation
Hon. Lorne Hepworth, Minister of Agriculture
Hon. Louis Domotor, Minister of Rural Development
All of the Province of Saskatchewan